

INTELLIGENCE REPORT

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13 July 1948

Subject: Panama/Palestine A.R. Line, recent developments.

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Of ten(10) C-46 airplanes that left the United States for service with Lineas Aereas de Panama (the last three of which left the United States April 14th) one of them crashed in Mexico City, due to overloading, killing both the pilot and co-pilot. The nine other planes arrived safely in Panama.

Reports from Panama indicate that the nine(9) C-46's have also left Panama and are now in Italy. One Constellation is said also to have been flown to Rome, Italy. Two other Constellations are said still to be in Millville, New Jersey, where they are awaiting the lifting of the arms embargo.

One of the nine C-46 airplanes is reported to have already been shot down in Palestine, killing one of the American pilots (ROSENBAUM, fnu), and injuring three other Americans (BICKLER, and two others, names not known).

One of the Sources understands, from informants he believes reliable, that the operations of Lineas Aereas de Panama (L.A.P.A.) have practically ceased, with the movement of most or all of the planes to Italy, Sicily, and/or Palestine. Martin BELLEFOND, President of Lineas Aereas de Panama, is believed to have left Panama. It is the studied opinion of one of the Sources that the formation of Lineas Aereas de Panama was only a ruse to get the planes that Haganah wanted in the Near East out of the United States.

A photostatic copy of a letter from "Swift" (Irwin "Swift" SCHINDLER), who is President of Service Airways, 256 E. 57th Street, New York City, to Reynold SALK (a Vice-President of Service Airways, and closely associated with SCHINDLER in his Los Angeles operations) is believed of interest, and reads as follows:

"I spoke to Mr. Vischa F. Berg, and told him you were doing work with the Haganah and that you needed his help. He responded 100%. I think we will get what we need from him without any trouble."

Another communication believed of interest, indicating the ramifications of subject operations, is the following teletype from the Miami, Florida, Customs Office, to the Los Angeles Customs Office:

"Mr. Emerick A. J. Levin & Co., 6216 Whitsett Ave., North Hollywood, Calif., on June 3, 1948, purchased one B-17 NL-5014-M from Aviation Co., Tulsa, Oklahoma. This aircraft flown from Tulsa by Leo Gardner. On June 13th the airplane cleared from San Juan Puerto Rico to the Azores with two other B-17's. All three planes arrived Sicily and are now believed in Palestine. At time of clearance from Miami to San Juan aircraft was in command of Robert Eidmayer (address not known). Airplane was exported without license."

SCHINDLER's aides in Service Airways, all left Los Angeles on or before 6 June 1948 (excepting Leo GARDNER of Los Angeles, a pilot, who remained behind to handle the clean-up of the company's affairs. Prior to this time Leo GARDNER handled considerable of the business activities of the company; he was in complete control of hiring pilots for about three weeks prior to June 6th, and up to the time the operations moved to Millville, New Jersey). There is now no personnel connected with SCHINDLER's activities left at the Lockheed Air Terminal at Burbank, California. In winding up their activities in Los

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they shipped three(3) carloads of equipment to Miami, Florida. Nothing is known concerning the disposition of the material in Miami. The equipment included four(4) 3350 airplane engines, one BT13 Consolidated-Vultee trainer plane (the company is said to have three of these trainers in all), 1000 parachute harnesses, and 100 parachutes.

Around the first week of June, thirty-seven (37) of SCHENKER's personnel left for New York. Among the Service Airways personnel who left Los Angeles for New York, for transfer to the base of operations in Italy or Sicily, are the following: (The notations after the names are as they appeared on photostatic copies of Service Airways Company records. It is not known whether all or only most of the following have entered the service of the company in the Mediterranean.)

Nathan POSKAL, Maintenance Civilian for AAF, tool and diemaker.

Alexander BLUM, machinist, tool and die.

Nyman GELOST, IN, piloted seaplane NY.

Frank LAMIS, pilot P39-40-47-51-63 C-46 C-47.

David M. CHILVER, Recon. photographer, installed remote controlled aircraft cameras, in fighter planes, trained pilots in recon missions. Air time 150 hours.

Benjamin KINSTEIN, Meteorologist - AAF weather graduate.

Allan SCHLOARF, has passport - gunner.

Stanley SIGALI, AAF Crew Chief, Flight Engineer.

Mort COUSINS, Bombardier, navigator, OR navigator, radio, aerial gunner, can send and receive.

Robert MATO, has seaman's papers, 37 Mariposa Ave., Long Beach.

Paul DIAMOND, has to let us know if available before 60 days, all gun turrets, radio operator, bombardier training.

Wilfred CAMERON, Canadian citizen pilot, navigator, 300 hours Anson Training and Fleet, 200 hours Wellingtons and Halifax's, 200 hours Commercial base, RCAF, naval gunnery also.

Joseph S. BACAL, pilot, 821 E. Manchito, 11 Monte, Calif. Born 6 August 1915, wife Patricia Burger, date employed 1 June 1948. Children: one. 1500 hours, AT-6 800 hours; O-47's 100 hours, A-33 20 hours, B-25 400/500 hours, B-26's, B-34's, all types of light planes. Always first pilot. With 12th air force O 12th group. Also RCAF before AAF, flew European theatres only.

Israel H. BLOOMBERG, born 2 Oct. 1910, pilot, mechanic, wife: Eleanor A. BLOOMBERG. Air experience, N.I.

I. FELDSTEIN, pilot, Commercial instructor, Army & Navy Both.

John MOORE, radio and gunner - send and receives.

Robert SHAPIRO (name crossed out)

Martin GOLDBERG, Ground crew maintenance of P-47 and P-41.

KAYE, machine gunner.

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Robert J. ~~ALLAN~~ (marked out).
Leo S. ~~WOLIS~~, 1st Lt. AAF, 1044 Lucid, Santa Monica, Calif., marked "ok". Fighter pilot, hurricane, spitfires, thunderbolts, R.A.F. Aug 1941 March 1943. American Eagle Squadron Aug 1941 - Aug 1942. Single engine. Participated in 110 missions over Europe, Middle East and Tunisia. Transferred to AAF March 30, 1943. Ribbons: Battle of Egypt, Middle East, Campaign Ribbons: Malta Cross, Croix de guerre, Eagle Squadron medal, Br. DFC-General Service Ribbon. 438th Fighter Squadron, 505th Fighter Group. Has valid passport. Pencil notations: \$400.00 Beachcraft, Cuba (:). L.A. and San Antonio, knows Abe L. VIN, Charley Baff Co. Foddy Mercer Charters at Lockheed knows story, knows (:).
Aaron ~~SCHARFF~~, born 26 Sept. 1922. Occupation: pilot. Wife: Annette B. Rose (Scharff). Children: None.
Joe ~~LANDON~~, 14 Feb. 1923. Dependent: mother Fannie Levine.

The above names are believed of possible interest in that many indicate men who are probably Navy and Army Reserve Officers. These men, as Reserve Officers, may or may not have applied for permission to leave the United States, or may not have resigned their commissions as they probably should have under existing Navy directives, which provide that, "by law, no member of the Naval Reserve is permitted to accept employment with the government of any foreign country in a capacity which is directly or indirectly under the control of such foreign government". It appears that if and/or when Israel is recognized as a state, all Reserve Officers fighting in Israel's behalf are in violation of regulations.

According to one of the sources, any review of personnel involved in subject operations should include the following:

One Colonel Harold E. ~~BROWN~~, U. S. Marine Corps Reserves, who operates the Brown Company (insurance brokers, at 2627 N. Hollywood Way, Burbank, Calif.), is said to have written most or all of the insurance of SCH. ~~ILLER~~'s operations. He is said to have left Los Angeles on the 6th of June, as co-pilot on SCH. ~~ILLER~~'s Constellation (1967, reg. N67930, Army Serial #43-103-105), for Millville, New Jersey. It is said that Col. ~~BROWN~~ expected then to proceed from Millville for Washington, D.C., where he was to report for two weeks active duty in the Marine Corps Reserves, beginning on or about 7 June. Colonel ~~BROWN~~ is said to have assisted SCH. ~~ILLER~~'s concern in their paper work. He is believed to be a Certified Public Accountant. He has not been interviewed locally, and it is not known how intimately he is tied in with SCH. ~~ILLER~~'s activities. It is believed, but it is not certain, that he is associated with SCH. ~~ILLER~~ only in the writing of insurance and in the handling of tax matters.

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HERMAN H. GREENSPUN, 329 N. 5th St., Las Vegas, Nevada, (cousin of Reynold SARK), a lawyer, has acted for the Service Airways Company as a business representative and was known to have been among those who went to Honolulu to purchase the 42 R-2800 10" aircraft engines that were later sent to SCHILLER Aircraft in Los Angeles, and which were prepared for export in violation of law. GREENSPUN is said to have recently obtained a passport to travel to Rome, Italy, as a business representative of SCHILLER Aviation Company. GREENSPUN is said to have made a trip recently to the Dominican Republic, in an attempt to sell Trujillo some American war surplus airplanes (this is not confirmed information). Herman H. GREENSPUN carries U.S. Passport 16618. He was born in Brooklyn, New York, 27 August 1909. He was in Panama on or about 12 May 1946, and had in his possession certain radio equipment known as cannon plugs and miscellaneous radio wire and equipment, which was purchased on a rush order and delivered to Leo GARDNER of Service Airways, Inc., at Los Angeles, who in turn delivered the equipment to Herman GREENSPUN, who then flew it to Panama. The equipment was installed in Panama by one Roy Verne BANSCHET.

One Elmer HOLT, member of Service Airways, Inc. is involved in a case referred to in the records of the U. S. Attorney's Office at Los Angeles, as "US vs Aircraft Radio Parts & Accessories weighing 115 lbs. Libel filed June 1948. \$193 "M Civil". In this case the Collector of Customs at Los Angeles held 115 lbs of aircraft radio parts and accessories found concealed in the baggage of Elmer HOLT (Service Airways Company employee) in an attempt to smuggle the equipment out of the United States at a time he was enroute to Panama.

The name of ALFARNSHILL appears several times in Service Airways Company records as Operations Manager of Service Airways at the New York Office of this company.

It is believed of interest that in the opinion of one of the Sources, the connection of Service Airways with Haganah was only gradually revealed to SCHILLER. He apparently believed he was getting himself established in an air line to serve between the United States and/or Panama, and Italy and/or Palestine. As developments took shape he then himself learned that many of the planes he was ordered or authorized to purchase were to make only one run to the Near East for military use there. This is evidenced by the fact that investigation locally revealed that SCHILLER was against purchasing C-46 airplanes, believing they would serve little useful purpose for his trans-Atlantic Air Line. He was, however, instructed from New York to purchase C-46's against his own judgment, only to learn later that the planes were to make only a one-way run to the Mediterranean.

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Of additional interest in subject matter is the following, a copy of a letter from the Los Angeles Customs Agent to the United States Attorney at Los Angeles, re: "U.S. V 42 Combat aircraft engines No. 8140 - 8H", dated 29 June 1948. This letter sums up the results of a comprehensive investigation in Los Angeles of Service Airways, and brings out facts indicating that a contract was made with Societe Aeronautica Italiana of Milano, Italy, and that one plane forced down in Switzerland was found to have guns aboard. One of the Sources has documentary evidence in proof of all statements made in the below letter:

"Reference is made to your letter of June 2, 1948, wherein you enclosed a copy of Petition of Service Airways, Inc., for remission of forfeiture in the above matter. It was requested that this office make an investigation of the statements contained in said Petition and furnish you with a report thereon, together with our recommendation.

"At a time prior to the seizure of the 42 combat aircraft engines the activities of Service Airways, Inc., had come to the attention of the Customs authorities. You are advised that the Federal Bureau of Investigation has extensive files concerning Service Airways, Inc., and also the Department of State has a file on this firm. The files in the Federal Bureau of Investigation are carried under the title of Foundry Associates, Inc.

"There are enclosed and made a part of this report the photostatic copies of reports of previous investigations made by the Supervising Customs Agent, New York, and a copy of his letter of May 18, 1948, file 23-5337, addressed to this office reporting an interview with Mr. Adolph Schwimmer of Service Airways, Inc.

"The inception of the investigation in New York was the discovery of the attempt to illegally export explosives to Palestine. Albert Miller, a Palestinian, and a representative of the Jewish Agency for Palestine, was associated with LEONARD MILLER of FOUNDRY ASSOCIATES, INC., who was involved in the attempted exportation of explosives to Palestine. In September 1947, Albert Miller telephoned from New York to ADOLPH SCHWIMMER in Bridgeport, Conn. The purpose of this call was to arrange a meeting in New York. SCHWIMMER is the head of SCHWIMMER AVIATION of Burbank, California. Schwimmer went to New York and met Miller. The meeting place arranged was the Grand Central Station, from where they went to the office of Pratt Steamship Co., 41 East 42nd St., New York City.

"At this meeting Miller advised Schwimmer that he was in New York as a representative of the JEWISH AGENCY and that he resided in Palestine. The purpose of his visit to the United States was to start an air transport line in anticipation of air transport service to Palestine. He felt that the Jews would establish a nation in Palestine in the near future. Schwimmer agreed to work for Miller. The details of procuring equipment were discussed. Long range aircraft were required. Miller authorized Schwimmer to go to Los Angeles to look at the surplus Constellations at the Lockheed Air Terminal. Schwimmer then returned to New York and obtained \$40,000, and with these funds he purchased 3 Constellations from Mr. THOMAS LADDEN, Director of Surplus Aircraft, War Assets Administration.

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"Schwimmer later received cashier's checks from the Chase National Bank in amounts of \$20,000, \$50,000, \$35,000 and \$59,000. Schwimmer stated that he has no first-hand knowledge of the backing of Albert Miller, but believes that the J. L. SH. G. N. C. is supplying all the money.

"Schwimmer expressed his surprise in the trust that Miller placed in him, stating that all the airplanes were purchased by him in his name, and that \$125,000 was also banked exclusively in his name.

"On the trip that Schwimmer made to Los Angeles he was accompanied by RAYMOND SALK. Later, Schwimmer and Salk were in charge of overhauling and fitting out the Constellations for service. This work was done at the Lockheed Air Terminal. RAYMOND SALK is Vice President of Service Airways, Inc. Service Airways, Inc., is the air transport company which Miller outlined to Schwimmer.

"Service Airways, Inc., was incorporated under the laws of the State of New York on September 15, 1944. IRVIN RONALD SCHINDLER is President, and in charge of operations and general management. ALAN SCHINDLER is Vice President, and the firm's chief navigator. SALK, also a Vice President of the firm, is in charge of purchasing and production control.

"In January 1948, the overhaul work on one Constellation was completed and it was flown to MILLVILLE AIRPORT at Millville, New Jersey. Service Airways, Inc., had rented space at this airfield and it was intended that this would be the field for overseas take-off. Difficulties arose due to the fact that the Civil Aeronautics Authority would not grant a certificate to Service Airways, Inc., to operate the Constellations in the condition as overhauled.

"A connection was made with LINHAS AEREAS DE PANAMA, a corporation which has scheduled operating rights out of Panama and it was decided that the airplanes would be operated under the rights granted LHA DE PANAMA and Service Airways, Inc., would establish a base at TOCUMEN AIRPORT for overseas take-off. Planes and equipment were flown to this field; also operating personnel were flown to Panama.

"The European base of operation was MILANO, Italy, and a contract was entered into with the SOCIETA AERONAUTICA ITALIANA, Milano, Italy. Operating personnel, planes and equipment were flown to this point. One plane flying to the Italian base encountered difficulties and was forced down in Switzerland. Information received by the Customs Agency Service in New York was to the effect that on inspection in Switzerland the plane was found to have guns on board. Schindler was questioned regarding this and stated that he had no knowledge of any cargo of any type being added to the load this aircraft carried at any port.

"In order to establish the base of operation at TOCUMEN AIRPORT, it was necessary to purchase aviation supplies and equipment and ship the material to Panama. The 42 combat aircraft engines were seized when an attempt was made to export them.

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"In connection with the establishment of the base, personnel were employed. On May 5, 1948, a group of this aviation personnel were flying to Panama. One of the party was J.M.A. HOLT, 148 East 7th St., Burbank, Calif. On inspection of his baggage there were found aircraft parts and equipment. This was detained and is referred to under the file in your office as US Vs Aircraft Radio Parts and Accessories weighing 115 lbs. Label Files June 17, 1948, 8193-7M Civil.

"On April 13, 1948, Mr. V. M. LYNN, an authorized agent of John L. Westland & Son, Inc., Customhouse Brokers, attempted to secure an export permit for 42 P & W R-2800 -53 aircraft engines. He was advised that engines as described in the Export Declaration were not on the State Department "Free" list for exportation. Later, Mr. Lynn again appeared at the Customhouse and with him was Mr. John L. Westland, Jr. On this visit, Mr. Westland changed the classification on the export declaration to P & W R-2800 5A. Again it was advised that engines so described were not on the State Department "Free" list for exportation. Later, Mr. Lynn again appeared at the Customhouse and he changed the classification to read P & W R-2800 CA-15. The export declaration was accepted with this classification.

"On April 14, 1948, the shipment covered by the export declaration was received at the dock. It consisted of 86 cases; 14 cases containing blower assemblies, and 42 cases containing aircraft engines. The undersigned inspected four cases containing aircraft engines and from the name data determined them to be Pratt & Whitney, R-2800 -10 aircraft engines. The other cases containing engines were not opened, as the marking on the outside of the cases indicated that they also contained P & W R-2800 -10 engines.

"Statements were taken from Mr. V. M. Lynn and Mr. John L. Westland, Jr., and are enclosed and made a part of this report. Mr. Lynn made the changes on the Export Declaration at the direction of Mr. Westland. Mr. Westland states that his firm was employed by Service Airways, Inc. to make this shipment, and that all information contained on the Export Declaration was received from Mr. Reynold Selk who represented himself to be Vice President of Service Airways, Inc. In the first telephone conversation with Selk, Westland advised him that Customs would not accept an Export Declaration for P & W R-2800 -53 engines; that he should supply a corresponding commercial designation. Selk informed Westland that they were CA type aircraft engines. In accordance with these instructions Westland had the Export Declaration amended.

"When the amended Export Declaration was refused by Customs, Westland again telephoned to Selk and advised him that CA was not the proper commercial designation; that what was required was a CA designation. Selk at this time advised Westland that he would call Pratt & Whitney representatives to find out what the commercial designation was for this type of engine. He later telephoned Westland and told him the type was CA-15. Westland instructed LYNN to amend the Export Declaration to show CA-15 engines. Customs accepted the amended declaration. John L. Westland & Son, Inc., Customhouse Brokers' only interest in the shipment was in acting in their capacity as Customhouse Brokers, and such action as was taken by them was at the instruction of Service Airways, Inc.

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"On June 22, 1948, Mr. Reynold Selk was interviewed in the office of the Customs Agent in Charge. At that time he was represented by counsel, Mr. J. B. SIKKON, and a statement was taken which is enclosed and made a part of this report. Selk states that he is Vice President of Service Airways, Inc., and that his duties are those of purchasing and production control. He claims that he has no knowledge of the organization and the financing of the corporation, and further, that the reason he was made a Vice President was that he might have power to sign for the corporation rather than sending all papers to the New York office for signature by an officer of the corporation. He claims that the purpose for which Service Airways, Inc. was organized was to start a combined freight-passenger airline between the eastern Seaboard of the United States and Europe, preferably Rome. He was questioned as to whether it was intended to fly freight into Palestine and he replied that he believed that it was intended to fly freight into Palestine. Selk, acting as Purchasing Agent for the corporation, was furnished funds, and his understanding was that three or four men were furnishing these funds. He states that there were approximately seven transfers of money from New York to his account in the Bank of America, Hollywood, Highland Branch, and he estimates the total of these to be a quarter of a million dollars.

"He relates that he purchased 42 Pratt & Whitney R-2800 -10% aircraft engines through a broker, Mr. Levin, from Universal Airplane Salvage Corporation, at the same time he purchased 44 rear cases. These rear cases are blower casing type 31. According to Selk he recommended that the Pratt & Whitney R-2800 -10% aircraft engines and the blower casings, type 31, be taken to Pacific Air-motive Corporation, Burbank, Calif., and there the engines be converted. He further states he was not in favor of shipping them not converted. He states that in a converted condition the engines could be used on various types of commercial planes. He states that his firm owns 10 C-46 type aircraft and that the engines after being converted, could be used on this type aircraft. However, he states that the 42 engines in the condition as shipped, had not been converted and were R-2800 -10% Pratt & Whitney engines.

"The petition sets forth that Selk communicated with Pratt & Whitney representatives and was informed by them that R-2800 -10% engines, with blower cases, were similar to the CA-15 type of engine. The petition states that the petitioner was informed that these engines were obsolete military engines which have not been used on combat planes by the Army or Navy for over two years.

"Mr. J. D. Harris of Pacific Air-motive Corporation, Burbank, Calif., was interviewed on May 10, 1948 and at that time a statement was taken which is enclosed and made a part of this report. Mr. Harris is a technical expert on aviation engines and his firm is the agent for Pratt & Whitney Company. Mr. Harris relates a telephone conversation he had with Adolph William Schwimmer on April 14, 1948. Schwimmer requested Harris to furnish Customs with a written statement, or to converse with them on the telephone and advise Customs that for all intents and purposes the 2800 10% engines, then modified by installing a 2800 - 31 rear case would be an R-2800 CA-15 engine. Harris checked technical records available to his company and determined that such a modification would not qualify these engines as CA-15 type. Harris so informed Schwimmer.

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"Mr. Harris stated that Pratt & Whitney R-2800 -10% engines, according to official Pratt & Whitney bulletins, were used on P-61-A and B aircraft, both of which are Army designations, and PT-1, P 6 F-3, and additional dash number aircraft, which are Navy numbers. All of these aircraft are combat aircraft. Harris stated that a Pratt & Whitney R-2800 -10% engine would be suitable only for a combat aircraft, however, if extensive modifications were made, the engine could be used on other than combat aircraft. Mr. Harris made a detailed comparison between the R-2800 -10% engine converted with blower case type 31 attached, and the CA-15 engine. This comparison is made a part of his statement.

"Reference is made to a case in your file under title of U.S. Vs. Aircraft Radio Parts and Accessories weighing 115 pounds. Libel filed June 17, 1948, 8193 - 121 Civil. This is relative to the detention by the Collector of Customs, Los Angeles, of certain aviation equipment found concealed in the baggage of JAMES HOLT, an employee of Service Airways, Inc., who was attempting to smuggle this equipment out of the United States at a time he was en route to Panama.

"A second statement was taken from Mr. V. M. LYNN, employee of John L. Westland & Son, Inc., Customhouse brokers, on May 12, 1948. Lynn relates a telephone conversation he received from Service Airways, Inc., wherein they inquired if certain aviation equipment could be shipped out of the country. He obtained the required information and informed Service Airways, Inc., that the equipment would require a license from the State Department before it could be exported. This same equipment was later found concealed in the baggage of JAMES HOLT, an employee of Service Airways, Inc., who was at the time of the discovery, in the act of boarding a plane for Panama.

"The 42 combat aircraft engines seized on April 15, 1948, by the Collector of Customs at Los Angeles were purchased by L. J. SELK, Vice President of Service Airways, Inc. Selk knew that these engines were Pratt & Whitney R-2800 -10% type. He bought at the same time, 44 blower cases, Type 31. He did not make the extensive conversions on the Pratt & Whitney R-2800 -10% type engines which would make them suitable to be used on a commercial type aircraft, but attempted to export these engines in their original packing case in the same condition as purchased.

"Adolph William Schwinzer was advised by Mr. J. J. HAMMIS of Pacific Automotive Corporation that the Pratt & Whitney R-2800 -10% engine, when modified by installing a 2800 -31 rear case would not qualify the converted engine as an R-2800 -CA-15 engine.

"Further, that Service Airways, Inc., in a second incident were advised that certain aviation equipment could not be exported without a license from the State Department, and this identical equipment was found concealed in the baggage of an employee of Service Airways, Inc., as he was about to leave the United States.

"In view of the investigations made in New York and the findings in the investigation made in Los Angeles, and consideration being given to a further attempt on the part of Service Airways, Inc., to illegally export aviation equipment, it is recommended that the petition be denied.

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